

CCID report notes stability in Cape Town CBD economy during 2020 despite pandemic

According to the special Covid edition of the annual *State of Cape Town Central City Report 2020 - A year in review* (SCCR), the economy of the Cape Town CBD remained stable in 2020 despite Covid-19. The official nominal value of all property was set at R43.8bn by the City of Cape Town, with at least 31 new developments worth more than R6.9bn in the pipeline.



Source: www.pixabay.com

Data in the ninth edition of the annual report, published recently by the Cape Town Central City Improvement District (CCID) and which reflects on the economic climate in the Cape Town Central City across the previous year, shows steady confidence in the development potential of the CBD, says CCID board chairperson Rob Kane.

“The Cape Town CBD once again proved its resilience in a very tough year. While some businesses have closed, many others have survived the first Covid year and it is very encouraging to note that investor and property development interest in the city centre remains steady,” says Kane.

Of the 31 new developments (recently completed, currently underway, planned or proposed in the CBD), five were completed in 2020 (conservatively estimated value R972m), 15 were under construction in 2020 (conservatively estimated value R2.9bn), nine were in the planning phase (conservatively estimated value R2bn) and two were proposed (conservatively estimated value R860m).

Key developments include Abland's P-grade skyscraper 35 Lower Long (valued at R500m), Ryan Joffe Properties's The Rockefeller at Harbour Place (valued at R500m), and WBHO's Hotel Sky (valued at R400m).

Since the report was published, the conversion of commercial building One Thibault into a mixed-use office and residential development (valued at R500m) has confirmed the trend of repurposing commercial buildings.

Other findings of the report are that:

- The 2,846 entities doing business in the Cape Town CBD in 2020, including 1,126 retail and entertainment entities, remained resilient to the economic knocks brought on by the pandemic and subsequent lockdown restrictions.
- With 1,038,707m² total commercial (office space) available in the Cape Town CBD, the office vacancy rate as at Q4 of 2020 was 14.6%.
- The economic effects of Covid-19 led to the closure of hundreds of retail outlets, but these only slightly outpaced the opening of new establishments, indicating a willingness of entrepreneurs to remain agile in an uncertain Covid economy.
- The total vacancy rate of retail space (31,077m²) in the CBD in 2020 amounted to 11.5% of the total space available. In 2019, the total vacancy rate of retail space was 9.4%.
- The total volume in m² of retail space available in the Central City at the end of 2020 amounted to 270,176m², marginally less than the 274,605m² recorded at the end of 2019. The total space occupied at the end of 2020 declined by 9,597m² from 248,696m² recorded at the end of 2019 to 239,099m² at the end of 2020. This was a decrease of -3.9%.
- In spite of Covid's crushing of the tourism sector and the knock-on effect on the Central City's visitor and eventing economies, most Central City hotels pulled out all the stops in 2020 to get domestic guests through their doors. Two hotels were among the developments in 2020, namely the R400m Hotel Sky development and the Old Bank Hotel. Two aparthotels, Wink Foreshore (valued at R75m) and Urban Oasis in the East City, were completed in 2020.

The most significant indicator of investor confidence in the Cape Town Central City was the growth in property value from R30.6bn in 2016/2017 to R43.8bn in 2019/2020.

Kane notes that the increase in gross valuation for the Cape Town CBD remains heartening and speaks to continued investor confidence and development potential.

The commercial property market remains resilient in 2021, with the continued conversion of office buildings into mixed-use developments or residential developments. "This indicates a flexibility in the sector," says Kane.



Report shows global surge in residential property transaction volumes

6 Oct 2021



Residential property sector

Data on the residential property sector shows innovative offerings, coupled with low interest rates, continued to attract

investor interest in the prospect of living in a successful downtown regardless of the effects of Covid-19 on the economy.

Says Kane: “Developers have responded with accommodation offering flexibility, ease of use and affordability.”

The key trend to emerge was the focus on community, with property buyers becoming members of the development’s “club”, rather than simply owners or tenants, and co-living and co-working spaces being the order of the day.

Of the 15 developments under construction in the CBD in 2020, at least nine were residential developments valued at R2.07bn.

The median price of apartments sold in the Central City in 2020 was R1.65m, which is less than the R1.8m median price reached in 2019. The most sales were recorded in the R20,000-R29,999/m² price band.

Says Kane: “The distribution of sales across the various price bands shifted from the most being recorded in the R30,000-R39,999/m² category in both 2018 and 2019 to the lower band in 2020. This can be attributed to the price correction in the national residential housing market in recent years which has brought house prices in line with prevailing economic realities.”

In 2020, the median price of R1.65m for sectional title units represents an 8.3% decline relative to the median price achieved in 2019, which was R1.8m. In 2020, 130 units were sold compared with 174 the previous year.

In terms of rentals, at the end of 2020 (end-January 2021), a total of 475 units were listed on Property24.com as available for rent in the Cape Town Central City. This compares to 180 units listed end-2019.

Says Kane: “There was a significant increase in available rental stock in 2020 as repeated lockdowns and subsequent travel restrictions impacted the tourism and eventing industry. This prompted numerous units, which were previously available as short-term lets such as AirBnB, being added to the long-term rental pool.”



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John Loos 1 Oct 2021



Emerging economies

A key theme of the 2020 report is the fledgling cannabis industry which holds huge economic potential for the Western Cape, Cape Town and the CBD.

The province is attracting significant investor interest in medicinal cannabis based on its strength in agriculture. The value of Western Cape agriculture and agri-processing exports in 2020 was R77.2bn.

While medicinal cannabis is still an emerging sector, projections from a Wesgro report suggest that the global legal cannabis market is set to grow by 20% per annum in 10 years. By 2023, South Africa’s legal cannabis market could be worth R106bn per annum.

Business owners and retailers are keen to capitalise on this trend, with Southern Sky Group setting up Africa’s first CBD (a cannabinoid found in the cannabis plant and used in products) store, Goodleaf, in the Cape Town CBD in 2019. Business showed positive growth in 2020 despite the pandemic.

Another key economy to flourish in the Cape Town CBD in 2020 was the business process outsourcing (BPO) sector, the report notes. The BPO call centre sector employs more than 60,000 people in Cape Town with over 17,037 of them being

employed in the last three years. A total of 23 call centres are based in the Cape Town CBD, comprising 11 international and 12 local centres employing over 16,000 people.

Other features of the report include:

- Breakdowns of all the business sectors in the Central City.
- A property investment “map” detailing the locations of current construction sites as well as those of planned/proposed projects.
- Essays by Tim Harris, former CEO of Wesgro; Patrick Buthelezi, economist: Sanlam Investments; and Bronwyn Williams, trend economist: Flux Trends on what the future holds.
- Highlights from the CCID’s annual online residential survey.
- A detailed breakdown of precincts that make up the Central City.

View or download the full report [here](#).

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